5. A letter from the Retired Detroit Police & Fire Fighters Association and, possibly, others.

6. A Ballot for your PFRS Pension Claim, with instructions on how to complete the Ballot, and a Ballot return envelope. Your Ballot for your PFRS Pension Claim has been customized to provide you with information about the Plan's impact on your future annual cost-of-living adjustments – sometimes called "escalators" in the collective bargaining agreements ("**COLAs**"), depending upon whether both pension classes (Class 10 and Class 11) accept the Plan *or* if one or more of them rejects the Plan.

**Please read the instructions, and complete, sign and return the Ballot early enough so that it will be actually received by the Balloting Agent in California by no later than July 11, 2014. Note that it may take several days from the date on which you mail your Ballot for the Ballot to reach the Balloting Agent in California. Ballots that are faxed or emailed will not be accepted.**

## *HOW THE PLAN TO ADJUST DETROIT'S DEBTS AFFECTS YOUR FUTURE PENSION BENEFITS*

The Plan provides for two alternatives for your pension benefits. The Plan will not reduce your monthly pension payments, but it will reduce your annual "escalators" or COLAs either by 55% (Alternative A) or eliminate them entirely (Alternative B). Alternatives A and B are described in the chart on page 9 and in the following pages. There are two alternatives because the amount of the pension reductions depends upon whether you and others in Class 10 and those in Class 11 (those holding GRS Claims) vote to accept the Plan and the Outside Funding is received.

### **The Outside Funding**

The Plan contemplates that $816 million in funding from outside sources as a settlement of certain issues affecting the City and its retirees will be contributed to GRS and PFRS over 20 years ***if and only if both Classes 10 and 11 vote to accept the Plan***. These outside sources are: (i) funders of the non-profit corporation that operates the Detroit Institute of Arts, (ii) 12 charitable foundations and (iii) the State of Michigan. Their collective contributions are called the **"Outside Funding."**

**You will receive reduced COLAs if the Outside Funding is available. All COLAs will be eliminated if the Outside Funding is not available.**

***If one Class of pension claims votes to accept the Plan and the other Class of pension claims votes to reject the Plan, the Outside Funding for the pensions will not be available. If both Classes of pension claims vote to reject the Plan, this additional Outside Funding for the pensions will not be available.***

***IN OTHER WORDS, <u>BOTH CLASS 10 AND CLASS 11 MUST VOTE TO ACCEPT</u> THE PLAN IN ORDER FOR THE OUTSIDE FUNDING TO BE CONTRIBUTED TO FUND PENSIONS.***

***For a Class to vote to accept the Plan, more than two-thirds in amount of claims and one-half in number of Class members who actually vote must vote "YES" to accept the Plan.***

***There are other conditions to the receipt of the Outside Funding that must also be met for the money to be contributed. Those are described in the Plan. Therefore, even if Classes 10 and 11 both vote to accept the Plan, there is a risk that the payments from the Outside Funding may not be made as promised. The Plan does not require the City to make up for any missed payments.***

## NOTICE REGARDING EFFECT OF VOTING ON RELEASES

**<u>If you vote to accept the Plan</u>: You may be giving up any right you may have to sue the State of Michigan, the City or other entities specifically protected by the Plan releases, to try to recover the full amount of your pension,** only if the necessary conditions (the "<u>Initial Funding Conditions</u>") for the funding from the State and the other Outside Funding parties that can be satisfied before the Confirmation Hearing are satisfied or waived. These preconditions include adoption of relevant legislation and appropriations by the State and completion of necessary agreements and documents by the State and the other Outside Funding parties, among other things.

**<u>If you vote to accept the Plan and the Initial Funding Conditions are not satisfied or waived</u>:** Your vote will be treated as a vote to reject the Plan because, in this circumstance, the Outside Funding would not be received.

**<u>If you vote to reject the Plan</u>:** If you vote to reject the Plan, it will be less likely that the Outside Funding will be available because acceptance by Classes 10 and 11 is a condition for receipt of the Outside Funding. Nevertheless, if Classes 10 and 11 vote to accept the Plan so that the Outside Funding will be received despite your vote to reject the Plan, you will benefit from the Outside Funding that is received, but you will not have any right to sue the State of Michigan, State officials, the City or other entities specifically protected by the Plan releases to try

to recover the full amount of your pension. This is because the releases are also conditions of the Outside Funding.

A summary chart showing the difference in estimated adjustments to pension benefits if Outside Funding is, or is not, received for PFRS appears below.

| ***<u>Alternative A</u>: Estimated Adjustments to Pension Benefits if Classes 10 and 11 Vote Yes on the Plan and Outside Funding is Received and the Court Approves the Plan***[1] |
|---|
| • You will receive 100% of your current pension and 45% of your annual "escalators" or COLAs over your lifetime<br>    ○ No reduction in current and future monthly pension payments<br>    ○ Elimination of 55% of your annual "escalators" or COLA<br>• COLAs are approximately 18% of the total value of PFRS liabilities; 55% of COLAs equate to a reduction of about 9.9%<br>• The value of the COLA to you depends largely upon your age and the size of your current pension; your total reduction could be more or less<br>• The PFRS plan will be "frozen." The impact of this is to reduce liabilities by about $55 million – or roughly 7.5% of the active employee liabilities, or 1% of the total PFRS liabilities. |
| ***<u>Alternative B</u>: Estimated Adjustments to Pension Benefits if either Class 10 or Class 11 Votes No on the Plan and No Outside Funding is Received and the Court Approves the Plan*** |
| • You will receive 100% of your current pension but no COLAs over your lifetime<br>    ○ No reduction in current and future monthly pension payments<br>    ○ Elimination of 100% of COLAs<br>• COLAs are approximately 18% of the total value of PFRS liabilities; the value of the COLA to you depends largely upon your age and the size of |

[1] Under the Plan, benefits may be reduced more than 55% of COLA for PFRS if one of the foundations or the DIA Corp. does not make its promised contribution. It cannot be predicted with any certainty at this time how much of a reduction may occur if such a funding default were to happen. Any such reduction, however, will not exceed the reductions outlined in Alternative B.

your current pension; your total reduction could be more or less

- The PFRS plan will be "frozen." The impact of this is to reduce liabilities by about $55 million – or roughly 7.5% of the active employee liabilities, or 1% of the total PFRS liabilities.

**Please see the charts attached to your Ballot to help you understand how these reductions and elimination of COLAs ("escalators") will affect the typical PFRS pension.**

## Pension Litigation and How It Affects the Plan

PFRS, GRS, the Retiree Committee, several unions and several associations representing the City's retirees have appealed from the Bankruptcy Court's ruling that found the City to be eligible to file its bankruptcy case and also held that accrued pension benefits could be reduced. The appeals are pending before the United States Court of Appeals for the Sixth Circuit.

**The Outside Funding of $816 million will not be available for PFRS or GRS if these appeals continue. The Outside Funding will only be available if these appeals are resolved, dismissed or withdrawn prior to approval of the Plan.**

If the appeals continue and are successful and no further appeals or other legal actions are taken, then either the City's bankruptcy case may be dismissed (and no plan would be confirmed), or the appellate court may hold that, although the City may pursue a restructuring in this bankruptcy case, it cannot reduce or impair your pension (and the Plan could not be confirmed). In either case, the Outside Funding of $816 million would not be available for PFRS and GRS.

Even if the appellate court decides that the City cannot legally reduce your pension, the City's financial problems mean that it would still not have enough money to make the required pension contributions to PFRS or GRS. So you would still not be assured of receiving a full pension payment even if you had a legal right to a full pension payment.

If the appeals are unsuccessful and no further appeals or other legal actions are taken, then the Plan as written will be unaffected.

If the Plan is approved and the Outside Funding described in this Notice is approved, you will lose all of your rights to sue the City and the State to try to

recover the full amount of your pension benefits under the Michigan Constitution or other laws.

__Your PFRS Adjusted Pension Amount (Class 10)__

**Your already-accrued pension benefit amount, as it will be adjusted/reduced by the Plan as shown in the chart above, is called your "PFRS Adjusted Pension Amount." Your monthly pension amount will not change under the Plan, but the annual "escalators" or COLAs that you were entitled to will either be reduced or eliminated.**

**If you are currently a retiree or a surviving beneficiary drawing a pension, you will continue to receive the same monthly pension amount if the Plan is approved, but your annual "escalators" (or COLAs) will change.** Your Ballot enclosed with this Notice contains the two scenarios that will affect your COLAs under the Plan: (i) under Alternative A, your annual COLA will be reduced by 55%, but you will still receive 45% of your COLA if Classes 10 and 11 vote to accept the Plan (and the Outside Funding is received); and (ii) under Alternative B, your annual COLA will be eliminated if either Class 10 or Class 11 votes to reject the Plan (and the Outside Funding is <u>not</u> received).

**The City cannot ensure collection of the Outside Funding, and a failure to collect the Outside Funding may cause a further reduction in your PFRS Adjusted Pension Amount.**

**If you are a former employee who has earned a pension but has not yet retired and begun to receive your pension, your starting monthly pension amount upon your future retirement will be your earned pension at the time of your termination, but your annual "escalators" (or COLAs) will be reduced or eliminated.** Your Ballot enclosed with this Notice contains the two scenarios that will affect your COLAs under the Plan: (i) under Alternative A, your annual COLA will be reduced by 55%, but you will still receive 45% of your COLA if Classes 10 and 11 vote to accept the Plan (and the Outside Funding is received); and (ii) under Alternative B, your annual COLA will be eliminated if either Class 10 or Class 11 votes to reject the Plan (and the Outside Funding is <u>not</u> received).

**If you are an active employee who is not currently collecting pension payments but you have earned a monthly pension based on employment with the City and you are currently vested in such monthly pension or you work enough years with the City before and after June 30, 2014 to become vested in such monthly pension, you will receive upon your future retirement a monthly**

**pension equal to the sum of (i) your PFRS Adjusted Pension Amount, which will be the same starting monthly pension amount you earned as of June 30, 2014 under the current pension program, but your annual COLAs will be reduced or eliminated, plus (ii) your "New Accrued Pension." Your "New Accrued Pension" is the part of your pension that will be earned under a new "hybrid" pension plan based upon service from and after July 1, 2014. This is called the "New PFRS Active Pension Plan" in the Plan.** Your Ballot enclosed with this Notice contains the two scenarios that will affect your COLAs for your accrued benefits as of June 20, 2014 under the Plan: (i) under Alternative A, your annual COLA will be reduced by 55%, but you will still receive 45% of your COLA if Classes 10 and 11 vote to accept the Plan (and the Outside Funding is received); and (ii) under Alternative B, your annual COLA will be eliminated if either Class 10 or Class 11 votes to reject the Plan (and the Outside Funding is not received). Neither of these estimates includes any amount attributable to any employment with the City from and after July 1, 2014, and they do not include any pension amount you will earn under the New PFRS Active Pension Plan after July 1, 2014.

PFRS Pension Reductions & the PFRS Adjusted Pension Amount

1. **If you are a current retiree or a surviving beneficiary who currently receives a monthly pension,** your monthly pension amount will not change under the Plan. However, your annual "escalators" or COLAs will be either be reduced by 55% or eliminated completely, depending on whether all of the Outside Funding is available. Over time, the loss of COLAs will affect younger retirees (or active employees with a vested pension benefit) more than it will affect older retirees because younger people generally can expect to receive more years of annual COLAs.

Example 1: John Smith is age 70. He currently receives a $30,000 pension, plus he is entitled to an annual 2.25% increase (COLA or "escalator") in his current pension each July 1.

**Alternative A:** If Classes 10 and 11 accept the Plan, John Smith will continue to receive $30,000 per year, and it will be increased annually by 45% of the COLA ("escalator") formula, or 1.0125%.

**Alternative B:** If Classes 10 and 11 do not accept the Plan, John Smith will receive $30,000 per year, and it will not be increased annually. He will receive $30,000 annually for life.

2. **If you are a former employee who earned a vested pension before separation from employment with the City**, the starting monthly pension amount that you will be paid upon your future retirement will not change. However, your future annual "escalators" or COLAs will either be reduced 55% or eliminated completely depending on whether all of the Outside Funding is available. Over time, the loss of COLAs will affect younger terminated employees with vested benefits more than it will affect older retirees because younger people can generally expect to receive more years of annual COLAs.

> Example 2: Jane Jones is age 50. She terminated employment 10 years ago after serving 10 years as a firefighter. She has a right to receive a $30,000 pension at age 62, plus an annual 2.25% increase (COLA or "escalator") of her current annual pension each July 1.
>
> **Alternative A:** If Classes 10 and 11 accept the Plan, Jones will receive at retirement $30,000 per year, and it will be increased annually by 45% of the COLA ("escalator") formula, or 1.0125%.
>
> **Alternative B:** If Classes 10 and 11 do not accept the Plan, Jane Jones will receive $30,000 per year, and it will not be increased annually. She will receive $30,000 annually for life.

3. **If you are an active employee who has earned a monthly pension to be paid upon your future retirement**, you will continue to grow your pension under the current pension formula through June 30, 2014. At that point, your pension benefits will be frozen (meaning that you will not earn any more benefits under the current pension plan formula), and you will not be able to earn any additional pension amounts under the current PFRS pension formula. If the Plan is approved, your frozen monthly pension amount will be the same as your current pension earned as of June 30, 2014, but your future annual "escalators" or COLAs will either be reduced by 55% or eliminated entirely, depending on whether all of the Outside Funding is available. If you work long enough (both before and after June 30, 2014) to become vested in your reduced frozen pension benefit, you will be able to receive your reduced frozen pension payment upon attaining a sufficient number of years of service as provided for under the current pension formula. As noted above, your reduced pension amount is called your "PFRS Adjusted Pension Amount." Over time, the loss of COLAs will affect younger retirees (or active employees with vested pension benefits) more than it will affect older retirees because younger people generally can expect to receive more years of annual COLAs.

4. **If you are an active employee and you continue to work for the City after July 1, 2014**, you will also earn a new monthly pension under the New PFRS Active Pension Plan that will be paid at retirement along with your PFRS Adjusted Pension Amount. The monthly pension amount that you earn after July 1, 2014 is called your "**New Accrued Pension.**" The pension formula for years of service after July 1, 2014 will be less generous than the formula that currently applies to your pension. For purposes of determining whether you are vested in your New Accrued Pension, your service with the City before and after July 1, 2014 will be taken into account. If the terms of the New PFRS Active Pension Plan as it relates to your bargaining group so provide, you will be entitled to elect into a deferred retirement option plan ("**DROP**") for your frozen benefit and for your New Accrued Pension. If you are not currently participating in the DROP program and you are otherwise eligible , your participation in DROP will be limited to 5 years. If you previously irrevocably elected into a DROP, you will continue to participate in the DROP in accordance with the terms of the bargaining agreement between the City and your union.

Example 3: John Johnson is age 42. As of June 30, 2014, he will have earned – based on his then salary and years of service – a $30,000 annual pension. He also will have earned a right to a 2.25% annual increase (COLA or "escalator") in his annual pension each year following retirement. If Classes 10 and 11 approve the Plan, Johnson's $30,000 frozen accrued pension will be increased by 45% of the 2.25% COLA ("escalator") formula (*i.e.*, it will be increased annually by 1.0125%). Johnson works for another 10 years and retires on July 1, 2024. Under the PFRS New Accrued Pension, he earns a $7,500 annual pension for life.

**Alternative A:** At retirement, Johnson will receive the following: (i) an annual $30,000 pension under the old formula with a 1.0125% COLA escalator, plus (ii) an annual $7,500 pension under the PFRS New Accrued Pension, for a total annual pension for life of $37,500 with the reduced COLA escalator payable on his annual pension under the old formula.

**Alternative B:** If Classes 10 and 11 do not approve the Plan, John Johnson will receive at retirement $37,500 per year ($30,000 + $7,500), and it will not be increased annually. He will receive $37,500 annually for life.

PFRS Pension Funding

5. **In the event that all of the Outside Funding is made available (a portion of which will be made available to PFRS) and that Classes 10 and 11 both have accepted the Plan,** during the period through June 30, 2023, contributions in the amount of approximately $260 million will be made to PFRS. Other than the Income Stabilization funds discussed below, these are the only amounts that are contemplated to be contributed to PFRS during this period. These contributions will be paid only from the Outside Funding. During this period, the City will not pay any money for PFRS pensions. If the Outside Funding is not paid as required by the Plan, it is not contemplated that the City would make up these amounts.

6. Beginning on and after July 1, 2023, approximately $68 million in Outside Funding will be available for PFRS. The City will be responsible for contributing all other amounts annually determined by PFRS to be necessary to fund the PFRS pension trust and to enable PFRS to pay your PFRS Adjusted Pension Amount (and your New Accrued Pension, if you are an active employee). The City will make the necessary contributions from its future tax revenues and available cash.

PFRS Pension Restoration

7. The pension benefits reductions that are discussed in Paragraphs 1, 2 and 3 above may be restored, in whole or in part, if the funding level[2] of PFRS significantly improves and the PFRS trustees have complied with certain requirements described in the State Contribution Agreement. This restoration may occur if (a) the investment returns on PFRS assets are greater than certain specified thresholds or (b) other actuarially-determined factors contribute to improve the funding level of PFRS. In other words, if PFRS pension funding levels improve, your PFRS Adjusted Pension Amount may be increased, and some or all of your future COLA payments could be restored.

This is a summary of how restoration of your COLA may happen. If the investments do well and the funding level of the PFRS exceeds the target, money will be set aside in a "restoration reserve account" to pay COLA restoration

[2] "Funding level" means the market value of PFRS' assets as a percentage of PFRS' liabilities to all participants for PFRS Adjusted Pension Amounts projected forward to 2023 and later. For example, if (a) the market value of PFRS' assets were $100 and (b) the amount of its liabilities to all participants for PFRS Adjusted Pension Amounts were also $100, the "funding level" for PFRS would be 100%. If, however, (a) the market value of PFRS' assets were $80 and (b) the amount of its liabilities were $100, the "funding level" for PFRS would be 80%.

payments. Investment returns will increase (up to a cap) or decrease the assets in the restoration reserve account. When the restoration reserve account can fully fund (for people's lifetimes) at least 10% of future COLA payments, restoration payments will begin the next year. If more money is available, restoration payments will increase. If the funding level of the PFRS drops, money in the restoration reserve account may no longer be sufficient to provide increased COLA benefits and COLA restoration payments may be suspended. A summary of the relevant funding level targets is in the table below.

The year in which you begin to receive COLA restoration payments depends on when you began receiving your pension and when restoration begins. The order is: (1) Pensions that began before June 30, 2014 will have COLA restored first (up to 66%). (2) Pensions that began after June 30, 2014 but before the year when restoration begins will have COLA restored second (up to 66%). (3) Pensions for all PFRS participants (including those whose COLAs were restored to 66%) will have their remaining COLA restored last.

| Summary of PFRS Funding Level Targets | | | | |
|---|---|---|---|---|
| | To set aside money for restoration, the funding level has to be at least this amount: | Investment return of restoration reserve account assets will be capped at: | No money set aside when the funding level falls below this amount: | COLA restoration payments may be suspended when funding level is: |
| Until 6/30/23 | 78% | 6.75% | 76% | Below 75% |
| Between 7/1/23 and 6/30/33 | [88]% | Assumed PFRS investment return (currently 6.75%, but it could change) | [86]% | Below [85]% |
| Between 7/1/33 and 6/30/43 | [95]% | | [93]% | Below [92]% |
| If funding level is greater than [78]% on 6/30/23, existing COLA restoration payments can no longer be suspended unless there are insufficient assets in the restoration reserve account. | | | | |

Finally, if the City completes a transaction with a third party involving the majority of assets in the Detroit Water and Sewage Department within seven years

of the Plan's effective date, 50% of the funds that would be received by the City from that transaction may be used to help fund pension restoration, but the GRS will have a priority on receipt of that 50% share.

**Restoration of COLA benefits, particularly until 2023, cannot be assured. After 2023, restoration of certain benefits may be possible, but it cannot be predicted at this time whether or when any restoration will occur.**

> Example 4: Under Alternative A, John Smith, age 70, is receiving a current $30,000 annual pension and 45% of his COLA escalator (which amounts to a 1.0125% escalator). In 2018, PFRS concludes that the restoration reserve account has sufficient assets to fully fund an increase in COLA for Smith to 66% of his COLA escalator, and that the other conditions governing pension restoration are satisfied. On July 1, 2019, Smith will receive his $30,000 pension as it was increased by the 1.0125% COLA until June 30, 2018 and with a 1.485% increase.

## Fund for Income Stabilization

The purpose of this program is twofold: (1) to make sure that pensioners who have a low household income today can count on a stable income; and (2) to help protect Eligible Pensioners (defined below) from falling into poverty as a result of inflation. Individuals will have to apply for the program in the first year and provide household income documentation to participate in the program.

PFRS will be amended to provide a supplemental pension income stabilization benefit ("**Income Stabilization Benefit**") to each Eligible Pensioner. There are two parts to this benefit.

The Income Stabilization Benefit will be calculated in the first year and will not increase. It is equal to the lesser of either (i) the amount needed to restore 100% of an Eligible Pensioner's reduced pension benefit to the amount of the pension benefit that the Eligible Pensioner received from PFRS in 2013; or (ii) the amount needed to bring the total annual 2013 household income of the Eligible Pensioner up to 130% of the Federal Poverty Level in 2013.

In addition, to the extent an Eligible Pensioner's Estimated Adjusted Annual Household Income (as defined below) in any calendar year after the first year of the program is less than 105% of the Federal Poverty Level in that year, the Eligible Pensioner will receive an additional benefit – the "**Income Stabilization Benefit Plus.**" The Income Stabilization Benefit Plus for a calendar year will be equal to the lesser of either (a) the amount needed to restore 100% of the Eligible Pensioner's pension benefit, including escalators or cost-of-living adjustments; or (b) the amount needed to bring the Eligible Pensioner's Estimated Adjusted Annual Household Income in that calendar year up to 105% of the Federal Poverty Level in that year.

An Eligible Pensioner's "**Estimated Adjusted Annual Household Income**" for any year will be the sum of (a) the Eligible Pensioner's 2013 total household income (per his (or in the case of minor children, their legal guardian's) 2013 income tax return or equivalent documentation), less the pension benefit paid to the Eligible Pensioner in 2013, as adjusted for inflation or Social Security COLA increases; (b) the reduced pension benefit that PFRS will pay the Eligible Pensioner for that year; (c) any PFRS pension restoration payment to the Eligible Pensioner due to an improved PFRS funding level; and (d) the Eligible Pensioner's Income Stabilization Benefit.

Notwithstanding the foregoing, Income Stabilization Payments under both GRS and PFRS will not exceed $20 million in the aggregate.

The PFRS Income Stabilization Benefits and Income Stabilization Benefit Plus will be paid from the Income Stabilization Fund of PFRS. The Income Stabilization Fund of PFRS will be funded with certain proceeds of a settlement with certain bond creditors, up to an aggregate amount of $20 million to be divided between the Income Stabilization Fund of GRS and the Income Stabilization Fund of PFRS.

Under the Plan, PFRS will establish an "**Investment Committee**" for the purpose of making recommendations to the PFRS board of trustees with respect to certain matters, and for purposes of making some determinations. The Investment Committee will consist of five independent members and two or more non-independent members, which non-independent members may include employees of the City or members or retirees of PFRS, provided that at all times during the 20-year period following disbursement of the State Contribution, the independent members shall have at least 70% of the voting power. Each independent Investment Committee member shall possess, by reason of training or experience or both, a minimum level of expertise in managing or advising pension systems, all as agreed to by the City, the State and PFRS, after consultation with the Foundations.

In the event that, in 2022 (provided that the State has not issued a certificate of default with respect to PFRS at any time prior to 2022), it is the opinion of at least 75% of the independent members of the Investment Committee of PFRS that the Income Stabilization Fund of PFRS has more assets than it needs to provide Income Stabilization Benefits and Income Stabilization Benefits Plus, the PFRS Investment Committee may recommend to the board of trustees that the excess assets, in an amount not to exceed $35 million, be used to fund the Adjusted Pension Amounts payable by PFRS. In the event that any funds remain in the Income Stabilization Fund of PFRS on the date upon which no Eligible Pensioners under PFRS remain, such funds shall be used to fund the Adjusted Pension Amounts payable by PFRS.

"**Eligible Pensioners**" are those retirees, surviving spouses, or surviving minors who hold a Pension Claim and who are eligible to receive Income Stabilization Benefits because such Holder (a) is, as of the effective date of the Plan, at least 60 years of age or a minor child receiving survivor benefits from PFRS and (b) has an

aggregate annual household income equal to or less than 140% of the Federal Poverty Level in 2013 (per their (or in the case of minor children, their legal guardian's) 2013 income tax returns or equivalent documentation). No new persons will be eligible to receive Income Stabilization Benefits or Income Stabilization Benefits Plus at any time in the future, and any minor child receiving survivor benefits shall cease to be an Eligible Pensioner after he or she turns 18 years of age.

## *PLAN RELEASES*

**If the Plan is confirmed, it will be binding on you. You will have no right to demand that the City pay you the full original amounts it owed for your pension. You will only have the right to your reduced pension benefits under the Plan.**

Comprehensive State Release

In addition to protection from further claims against the City that is a standard part of any plan of adjustment, the Plan also proposes to grant to the State of Michigan, its officials and certain other related parties a comprehensive release of any obligation they might have with respect to your pension claim and other claims against the City. This is called the **"Comprehensive State Release."** The Bankruptcy Court will have to approve this Comprehensive State Release, and it may not do so. If the Comprehensive State Release is approved, **you will not be allowed to sue the State, the City or any State officials to restore pension benefits or argue that the City did not have the power to reduce pensions, even if you vote to reject the Plan. Specifically, this release would release all claims and liabilities arising from or related to the City, the chapter 9 case (including the authorization given to file the chapter 9 case), Plan and exhibits thereto, the Disclosure Statement, PA 436 and its predecessor or replacement statutes, and Article IX, § 24 of the Michigan Constitution. If you are an active employee, the Comprehensive State Release does not release or discharge rights you have to your New Accrued Pension.**

**If the Bankruptcy Court confirms the Plan but does not approve the Comprehensive State Release (or if the other conditions to Outside Funding are not met), the State does not have to contribute its $350 million State Contribution to the Pension Funds.** If the State's money is not contributed, then none of the other sources of Outside Funding will make their payments, either. In that case, none of the $816 million in contributions will be made to the pension plans, Alternative B will take effect, and your COLAs will be eliminated.

Release by Claim Holders Accepting the Plan

The Plan also provides for an **"Accepting Holders Release."** The Accepting Holders Release would be granted by individual creditors by their accepting the Plan. This means that if you individually vote to accept the Plan, you will be personally releasing the City and its related entities, the State and its related entities, the Retiree Committee, the members of the Retiree Committee, the Retiree Committee professionals, the foundations and other organizations who are providing Outside Funding and their related entities **except for** such parties' gross negligence or willful misconduct, but only if the Initial Funding Conditions (which include adoption of relevant legislation and appropriations by the State and completion of necessary agreements and documents by the State and the other Outside Funding parties, among other things) that can be satisfied before the Confirmation Hearing are satisfied or waived.

**In other words, if you vote to accept the Plan, you may not be allowed to sue the State, the City or any State individuals or entities to restore pension benefits or argue that the City did not have the power to reduce pensions.**

**However**, if Classes 10 and 11 vote to accept the Plan, **but the Initial Funding Conditions are not satisfied or waived before the Confirmation Hearing, then your vote to accept the Plan will be treated as a vote to reject the Plan, and the voluntary Accepting Holders Release will not apply to you.**

For the avoidance of doubt, the Plan (including the Comprehensive State Release and the Accepting Holders Release) does not release, waive or discharge obligations of the City that are established in the Plan or that arise from and after the effective date of the Plan with respect to (i) pensions as modified by the Plan or (ii) labor-related obligations. Such post-effective date obligations shall be enforceable against the City or its representatives by active or retired employees and/or their respective collective bargaining representatives to the extent permitted by applicable non-bankruptcy law and/or the Plan.

DETROIT POLICE
LIEUTENANTS AND SERGEANTS
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Sergeant John F. Kennedy
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May 6, 2014

TO DETROIT POLICE LIEUTENANTS AND SEGEANTS WHO ARE HOLDERS OF PENSION CLAIMS IN CLASS 10 UNDER THE FOURTH AMENDED PLAN FOR THE ADJUSTMENT OF DEBTS OF THE CITY OF DETROIT

Re: DPLSA Support for the Plan of Adjustment

As a holder of a claim against the City of Detroit respecting pension benefits, you have an opportunity to vote on the City's plan to adjust its pension obligations, and the City is soliciting your acceptance of the *Fourth Amended Plan for the Adjustment of Debts of the City of Detroit,* dated May 5, 2014.

Consistent with the May 4, 2014 Term Sheet agreed to by the City and the DPLSA ,as amended on May 5, 2014, this letter serves to indicate the support of the DPLSA for the *Fourth Amended Plan for the Adjustment of Debts of the City of Detroit.*

The DPLSA, with the authority granted by its Board of Directors, supports the POA which contains a new hybrid pension plan for active members and certain reductions to accrued pension benefits. Recognizing that it was able to materially improve the benefit package presented to it at the start of mediation, and in view of the City's current financial condition, the DPLSA has concluded that support for the POA is in the best interests of its membership and necessary to avoid the imposition of lesser benefits and more onerous conditions of employment. The POA provides the best possible recovery for pension and retiree health claimants under the circumstances. A yes vote is necessary to obtain the benefits secured for you under the settlement.

Very truly yours,

DETROIT POLICE LIEUTENANTS AND
SERGEANTS ASSOCIATION

By: Peter P. Sudnick, Esq.
Attorney for and/on behalf of the DPLSA

85

Detroit Police
Command Officers' Association

P.O. Box 02625
Detroit, Michigan 48202

May 6, 2014

To Holders of Class 10 Pension Claims:

The members of the Detroit Police Command Officers' Association (DPCOA) support the Fourth Amended Plan for the Adjustment of Debts of the City of Detroit, believing it to be in their best interest under the circumstances and in the best interest of the holders of Class 10 claims, and urge that you vote in favor of the plan.

Sincerely,

Mary Ellen Gurewitz

Mary Ellen Gurewitz, Esq.
Sachs Waldman, P.C.
Attorneys for DPCOA

President
DONALD TAYLOR

Vice-President
GREGORY TROZAK

Secretary/Treasurer
ALLAN GRANT

RETIRED DETROIT POLICE
& FIRE FIGHTERS ASSOC.

2525 E. 14 Mile Road
Sterling Heights, MI 48310-5969
Office (586) 795-1734
Fax (586) 795-2183

www.rdpffa.com

E-Mail rdpffa@hotmail.com

April 29, 2014

Dear City of Detroit Police and Fire Fighter Retirees:

The Retired Detroit Police and Fire Fighters Association ("RDPFFA") is writing to you in connection with the Plan of Adjustment as amended and filed by the City of Detroit on April 26, 2014 (the Plan). The Board of Directors of the RDPFFA unanimously recommends that you vote in favor of the Plan on the ballots that you are receiving along with this letter.

This recommendation comes after the RDPFFA took a leadership role in negotiations with the City regarding pension and other post-employment benefit (primarily health care) ("OPEB") treatment of the claims of police and fire fighter retirees. Specifically, those long and hard-fought negotiations resulted in the RDPFFA Board of Directors voting to unanimously approve an agreement in principal with the City on April 15, 2014. On April 25, 2014 the material terms of that agreement were incorporated into an executed Term Sheet. Those terms have now been included in the Plan.

Under the current financial conditions of the City of Detroit and with the limited revenue income streams that are currently available to the City, the results contained within the executed Term Sheet are the best protection of our pension and other benefits that could be obtained. The treatment of police and fire fighter retirees has improved significantly since the onset of the bankruptcy and is materially better if classes 10 and 11 approve the Plan.

Sincerely,

Donald Taylor
President RDPFFA
And on behalf of the Board of Directors

{00207198}

PRF # 65446
Case No.: 13-53846
Svc: 7

PackID: 8630
NameID: 11897518

JONES, GLORIA
15403 BAYLIS ST
DETROIT, MI 48238-1557

Ballot, Class 12 OPEB Claims

UNITED STATES BANKRUPTCY COURT
EASTERN DISTRICT OF MICHIGAN
SOUTHERN DIVISION

| | |
|---|---|
| In re | Chapter 9 |
| CITY OF DETROIT, MICHIGAN, | Case No. 13-53846 |
| Debtor. | Hon. Steven W. Rhodes |

**BALLOT FOR ACCEPTING OR REJECTING THE**
**PLAN FOR THE ADJUSTMENT OF DEBTS OF THE CITY OF DETROIT**

CLASS 12: OPEB Claims
Claimant's **[Name/Identifier]**: JONES, GLORIA / 8964
Allowed Claim for Voting Purposes: $415,255.00

**THE "VOTING DEADLINE" TO ACCEPT OR REJECT THE PLAN IS 5:00 P.M., EASTERN TIME, ON JULY 11, 2014**

**THE ALLOWED AMOUNT OF YOUR OPEB CLAIM STATED ON THIS BALLOT IS AN ESTIMATE. YOUR ACTUAL OPEB CLAIM AMOUNT MAY BE MORE OR LESS THAN THE ESTIMATE CONTAINED IN THIS BALLOT.**

This Ballot is for INDIVIDUALS ENTITLED TO POST-RETIREMENT HEALTH, VISION, DENTAL, LIFE AND DEATH BENEFITS pursuant to the employee health and life insurance benefit plan and the employee death benefit plan (collectively, "OPEB Benefits").

Claims against the City for OPEB Benefits ("OPEB claims") are included in Class 12 under the *Fourth Amended Plan for the Adjustment of Debts of the City of Detroit (May 5, 2014)* (as it may be amended, supplemented or modified, the "Plan").[1]

Please complete, sign and date the Ballot and mail it by regular mail to Kurtzman Carson Consultants LLC (the "Balloting Agent") in the enclosed addressed envelope so that it is ACTUALLY RECEIVED by the July 11, 2014 Voting Deadline.

DO NOT RETURN THE BALLOT TO THE CITY OF DETROIT, THE BANKRUPTCY COURT OR ANYONE OTHER THAN THE BALLOTING AGENT.

Ballots may not be submitted by fax, email or other electronic means.

Please contact the Balloting Agent if you have questions regarding the ballot return instructions. PLEASE NOTE, HOWEVER, THAT THE BALLOTING AGENT IS NOT PERMITTED TO PROVIDE LEGAL ADVICE.

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1 Capitalized terms used in this Ballot and the attached instructions that are not otherwise defined have the meanings given to them in the Plan.

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The City of Detroit, Michigan (the "City") is soliciting votes with respect to the Plan, which is described in the accompanying *Fourth Amended Disclosure Statement with Respect to Fourth Amended Plan for the Adjustment of Debts of the City of Detroit (May 5, 2014)* (as it may be amended, supplemented or modified, the "Disclosure Statement"). The Disclosure Statement was approved by the Bankruptcy Court on May 5, 2014. By orders entered on March 11, 2014 and May 5, 2014, the Bankruptcy Court approved procedures regarding the solicitation and tabulation of votes on the Plan.

You are receiving this Ballot because you are a holder of an OPEB Claim as of March 1, 2014 (the "OPEB Record Date").

Your OPEB Claim has been temporarily allowed in the estimated amount of $415,255.00 only for the purpose of voting on the Plan. The actual amount of the claim may change before the end of the bankruptcy case.

**You cannot avoid a change to your OPEB Benefits by refusing to vote. If the Plan is confirmed, your OPEB Benefits will be changed.**

**RELEASES: If you vote to accept the Plan, you will be giving up any right you may have to sue the State of Michigan, the City or other entities specifically protected by the Plan releases. You will not be able to sue to try to recover the full amount of your OPEB Benefits.**

## SUBMITTING YOUR BALLOT:

If you did not hold an OPEB Claim as of the OPEB Record Date or if you believe for any other reason that you received the wrong ballot, please contact the Balloting Agent immediately at (877) 298-6236 or via email at detroitinfo@kccllc.com.

To have your vote counted, you must complete, sign and return this Ballot in accordance with the voting information and instructions provided below. You must complete your Ballot and return it to the Balloting Agent so that it is actually received by the Voting Deadline.

The Balloting Agent will not accept Ballots received after the Voting Deadline or Ballots delivered by email, fax or any other electronic method. Ballots should not be sent to the City, the Bankruptcy Court or any entity other than the Balloting Agent.

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# VOTING INFORMATION AND INSTRUCTIONS FOR COMPLETING THE BALLOT

1. In the boxes provided in Item 1 of the Ballot, please indicate your vote to accept or reject the Plan.

   Your OPEB Claim against the City has been placed in Class 12 under the Plan. **The attached Ballot is designated only for holders of OPEB Claims in Class 12 under the Plan.**

   **If you vote to accept the Plan, you are voting to approve certain cancellation, discharge, exculpation, expungement, injunction and release provisions contained in the Plan. Such provisions include, but are not limited to, the provisions contained in Article III.D, Article IV.J, Article IV.K and Article V.C of the Plan. Such provisions include a release of claims against the State of Michigan and may affect your rights and interests regarding certain other nondebtor third parties.**

2. Please complete Item 2 of the Ballot.

3. Sign, date and return the Ballot to:

   Detroit Ballot Processing Center
   c/o KCC
   2335 Alaska Avenue
   El Segundo, CA 90245

   The Balloting Agent must actually receive all Ballots by the Voting Deadline. If a Ballot is received after the Voting Deadline, it will not be counted. The Balloting Agent will not accept Ballots received after the Voting Deadline or Ballots delivered by email, fax or any other electronic method. Ballots should not be sent directly to the City, the Bankruptcy Court or any entity other than the Balloting Agent. Any Ballots received by the City or the Bankruptcy Court will not be valid and will not be counted as cast.

4. If you also hold Claims in other Classes, you will receive a separate ballot for each such Claim. You must complete and return each ballot you receive to ensure that your vote will be counted with respect to each Class in which you are a Claim holder.

5. The Ballot does not constitute and shall not be deemed an assertion of a Claim.

6. If you were not a Holder of an OPEB Claim as of the OPEB Record Date or if you believe for any other reason that you received the wrong Ballot, please contact the Balloting Agent immediately at (877) 298-6236 or via email at detroitinfo@kccllc.com.

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**PLEASE READ THE VOTING INFORMATION AND INSTRUCTIONS ATTACHED BEFORE COMPLETING THIS BALLOT.**

| |
|---|
| PLEASE COMPLETE ITEMS 1 AND 2. IF NEITHER THE "ACCEPT" NOR "REJECT" BOX IS CHECKED IN ITEM 1, OR IF BOTH BOXES ARE CHECKED IN ITEM 1, THIS BALLOT WILL NOT BE COUNTED AS HAVING BEEN CAST.<br><br>IF THIS BALLOT IS NOT SIGNED ON THE APPROPRIATE LINES ON THE NEXT PAGE, THIS BALLOT WILL NOT BE VALID OR COUNTED AS HAVING BEEN CAST. |

**Item 1. Class Vote.** The undersigned, an OPEB Claim Holder in Class 12 as of March 1, 2014 against the City of Detroit, Michigan, votes to (check one box):

☐ **ACCEPT** the Plan. ☐ **REJECT** the Plan.

**If you accept the Plan, you are voting to approve a release of any claims that you may have against the State, the City and other entities in connection with the loss of part of your OPEB Benefits.**

**If you accept the Plan, you are also voting to approve certain other cancellation, discharge, exculpation, expungement, injunction and release provisions contained in the Plan. Such provisions include, but are not limited to, the provisions contained in Article III.D, Article IV.J, Article IV.K and Article V.C of the Plan. These provisions include the release of claims against the State of Michigan and may affect your rights and interests regarding certain other nondebtor parties.**

Creditor **[Name/Identifier]**: JONES, GLORIA / 8964

Amount of OPEB Claim: $415,255.00

**PLEASE CONTINUE TO ITEM 2 ON THE NEXT PAGE**

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**Item 2. Certifications.** By signing this Ballot, the undersigned certifies that he, she or it:

i. is the Holder of an OPEB Claim in Class 12 to which this Ballot pertains, or is an authorized signatory, and has full power and authority to vote to accept or reject the Plan with respect to such Claim;

ii. received a copy of the solicitation package consisting of: (a) a notice regarding the time and place of a hearing to consider confirmation of the Plan, (b) a CD-ROM including the Plan, Disclosure Statement and the exhibits to each filed to date, (c) a Ballot and a ballot return envelope, (d) a copy of certain rules governing the tabulation of ballots, (e) a plain language description of the Plan, (f) a cover letter and (g) a letter from the Retired Detroit Police and Fire Fighters Association and possibly from other parties;

iii. has not submitted any other ballots for Class 12 that are inconsistent with the vote to accept or reject the Plan set forth in this Ballot, or if such other ballots were previously submitted, they have been revoked or changed to reflect the vote of this Ballot; and

iv. understands that a vote to accept the Plan is a vote to accept certain cancellation, discharge, exculpation, expungement, injunction and release provisions contained in the Plan.

JONES, GLORIA
Name

8964
Fed. Tax I.D. No. or Last 4 Digits of Social Sec. No. (optional)

Signature

If by Authorized Agent, Name and Title

15403 BAYLIS ST
DETROIT, MI 48238-1557
Address

Telephone Number

Date Completed

Email Address

13538461405061207000008615

**EMERGENCY MANAGER**
**CITY OF DETROIT**

May 5, 2014

**To the Holders of Pension Claims and/or OPEB Claims in Classes 10, 11 and 12 under the *Fourth Amended Plan for the Adjustment of Debts of the City of Detroit*:**

As a holder of a claim against the City of Detroit (the "City") respecting pension benefits and/or retiree healthcare benefits, you have an opportunity to vote on the City's plan to adjust its pension and retiree healthcare obligations. The City is soliciting your acceptance of the *Fourth Amended Plan for the Adjustment of Debts of the City of Detroit (May 5, 2014)* (as it may be amended, modified or supplemented, the "Plan"). Accordingly, please find enclosed the following materials:

(a) a plain language summary (the "Plain Language Summary") of information about your pension and/or retiree healthcare benefits and how your pension and/or retiree healthcare benefits will be affected by the Plan. This Plain Language Summary is provided to assist you with casting your vote on whether to accept the Plan;

(b) a notice that, among other things, contains information regarding the hearing to consider confirmation of the Plan, to be held before the United States Bankruptcy Court for the Eastern District of Michigan (the "Bankruptcy Court");

(c) a CD-ROM containing:

(1) the Plan itself and all exhibits thereto that have been filed with the Bankruptcy Court to date; and

(2) the related *Fourth Amended Disclosure Statement with Respect to Fourth Amended Plan for the Adjustment of Debts of the City of Detroit* (as it may be amended, modified or supplemented, the "Disclosure Statement"), which was approved by the Bankruptcy Court pursuant to an order dated May 5, 2014 and all exhibits thereto that have been filed with the Bankruptcy Court to date;

(d) a ballot for voting on the Plan and a ballot return envelope;

(e) a copy of certain rules that govern how your vote on the Plan will be tabulated, which rules were approved by the Court by order entered on May 5, 2014 (the "Supplemental Solicitation Procedures Order"); and

(f) letters from some or all of the following parties, and possibly from other parties: the Police and Fire Retirement System, the General Retirement System and the Retired Detroit Police and Fire Fighters Association.

THE CITY BELIEVES THAT THE PLAN IS IN THE BEST INTERESTS OF CREDITORS AND PROVIDES THE BEST POSSIBLE RECOVERY FOR PENSION AND RETIREE HEALTH CLAIMANTS UNDER THE CIRCUMSTANCES. AS SUCH, THE CITY ENCOURAGES ALL CREDITORS, INCLUDING PENSION AND RETIREE HEALTH CLAIMANTS, **TO VOTE IN FAVOR OF THE PLAN** BY RETURNING BALLOT(S) IN ACCORDANCE WITH THE BALLOT INSTRUCTIONS.

For further information concerning the Plan and your rights, you are encouraged to carefully read the Disclosure Statement, the Plan, the Plain Language Summary and all other materials included with this letter. You also should read the instructions attached to the enclosed ballot(s) for information regarding the proper completion and submission of the ballot(s).

If you have any questions on how to properly complete the ballot(s), please contact Kurtzman Carson Consultants LLC (the "Balloting Agent") at (877) 298-6236 or via email at detroitinfo@kccllc.com. Please note, however, that the Balloting Agent cannot provide you with legal advice. In addition, copies of the Disclosure Statement, the Plan and all other relevant documents are available at no charge via the internet at http://www.kccllc.net/detroit. Copies of the Disclosure Statement (including any exhibits thereto that have been filed with the Bankruptcy Court) and the Plan (including any exhibits thereto that have been filed with the Bankruptcy Court) are also available upon a request made to the Balloting Agent via telephone at (877) 298-6236, via email at detroitinfo@kccllc.com or via mail at Detroit Ballot Processing c/o Kurtzman Carson Consultants LLC, 2335 Alaska Avenue, El Segundo, CA 90245.

PLEASE NOTE THAT, IN ORDER FOR YOUR VOTE TO BE COUNTED, YOUR BALLOT(S) MUST BE PROPERLY COMPLETED, EXECUTED AND RETURNED IN ACCORDANCE WITH THE BALLOT INSTRUCTIONS PROVIDED SO THAT THE BALLOTING AGENT ACTUALLY RECEIVES YOUR BALLOT BY **5:00 P.M. EASTERN TIME ON JULY 11, 2014**. WE URGE YOU TO READ THE BALLOT INSTRUCTIONS CAREFULLY BEFORE VOTING.

Sincerely,

Kevyn D. Orr
Emergency Manager
City of Detroit

Enclosures

**UNITED STATES BANKRUPTCY COURT**
**EASTERN DISTRICT OF MICHIGAN**
**SOUTHERN DIVISION**

| | |
|---|---|
| In re | : Chapter 9 |
| CITY OF DETROIT, MICHIGAN, | : Case No. 13-53846 |
| Debtor. | : Hon. Steven W. Rhodes |

# NOTICE OF (I) APPROVAL OF DISCLOSURE STATEMENT, (II) HEARING TO CONSIDER CONFIRMATION OF THE PLAN FOR THE ADJUSTMENT OF DEBTS OF THE CITY OF DETROIT AND (III) PROCEDURES AND DEADLINES REGARDING CONFIRMATION OF THE PLAN

PLEASE TAKE NOTICE OF THE FOLLOWING:

1. **Approval of the Disclosure Statement.** On May 5, 2014, the United States Bankruptcy Court for the Eastern District of Michigan (the "Bankruptcy Court") entered an order (Docket No. 4401) (the "Disclosure Statement Order") approving the *Fourth Amended Disclosure Statement with Respect to Fourth Amended Plan for the Adjustment of Debts of the City of Detroit* (Docket No. 4391)(as it may be amended, modified or supplemented, the "Disclosure Statement") filed by the City of Detroit, Michigan (the "City"). Accordingly, the City is authorized to solicit votes to accept or reject the *Fourth Amended Plan for the Adjustment of Debts of the City of Detroit (May 5, 2014)* (Docket No. 4392) (as it may be amended, modified or supplemented, the "Plan").

2. **Approval of Solicitation Procedures.** On March 11, 2014, the Bankruptcy Court entered an order (Docket No. 2984) (the "Primary Solicitation Procedures Order") granting, with certain modifications as agreed upon by the City and certain parties in interest, the *Motion of the City of Detroit for Entry of an Order (I) Establishing Procedures for Solicitation and Tabulation of Votes to Accept or Reject Plan of Adjustment and (II) Approving Notice Procedures Related to Confirmation of the Plan of Adjustment* (Docket No. 2789) (the "Primary

Solicitation Procedures Motion"). On May 5, 2014, the Bankruptcy Court entered an order (Docket No. 4400) (the "Supplemental Solicitation Procedures Order") granting the *Corrected Motion of the City of Detroit for Entry of an Order Establishing Supplemental Procedures for Solicitation and Tabulation of Votes to Accept or Reject Plan of Adjustment with Respect to Pension and OPEB Claims* (Docket No. 3943) (the "Supplemental Solicitation Procedures Motion").

3. **Confirmation Hearing.** A hearing to consider confirmation of the Plan (the "Confirmation Hearing") will be held on **July 24, 2014 at 9:00 a.m.**, Eastern Time, before the Honorable Steven W. Rhodes, United States Bankruptcy Judge, in the United States District Court, 231 W. Lafayette Blvd., Detroit, Michigan 48226. The Confirmation Hearing may be continued from time to time without further notice other than the announcement by the Court of the adjourned date at the Confirmation Hearing or any continued hearing. The Plan may be modified or supplemented prior to, during or as a result of the Confirmation Hearing in accordance with the terms of the Plan and section 942 and other applicable sections of the Bankruptcy Code, without further notice.

4. **Objections to the Plan.** If any holder of a claim in Class 10 or Class 11 under the Plan (each such holder, a "Pension Claimant") or in Class 12 under the Plan (each such holder, an "OPEB Claimant") wishes to object to confirmation of the Plan, any such objection must be filed with the Bankruptcy Court on or before **July 11, 2014**. Supplemental objections to the Plan arising as a result of discovery or the result of Plan voting must be filed with the Bankruptcy Court on or before **July 18, 2014**. All evidence in support of objections to the Plan must be submitted at or prior to the completion of the Confirmation Hearing. If a party files an objection to confirmation of the Plan that is not timely or otherwise does not comply with this paragraph, the objection will be denied and the party will not be heard at the Confirmation Hearings.

5. **Pension/OPEB Record Date.** The Bankruptcy Court has set **March 1, 2014** as the "Pension/OPEB Record Date" for purposes of voting on the Plan. A Pension Claimant or OPEB Claimant is only entitled to vote his or her Class 10, Class 11 and/or Class 12 claims against the City if such claims were held by such claimant as of the Pension/OPEB Record Date.

6. **Voting Deadline.** Votes to accept or reject the Plan must be received by the Balloting Agent by **5:00 p.m. Eastern Time on July 11, 2014**. Ballots that are received after this deadline will not be counted. Ballots must be delivered to Kurtzman Carson Consultants LLC, as balloting agent, via U.S. mail,

overnight delivery or by hand. Ballots submitted by email, fax or any other electronic means will not be counted.

7. **Tabulation Rules.** The procedures for the tabulation of ballots cast by Pension Claimants and OPEB Claimants (the "Pension/OPEB Tabulation Rules") are set forth in Exhibit 6B to the *Notice of Final Exhibits in Connection with Corrected Motion of the City of Detroit for Entry of an Order Establishing Supplemental Procedures for Solicitation and Tabulation of Votes to Accept or Reject Plan of Adjustment with Respect to Pension and OPEB Claims* (Docket No. 4378).

## 8. PLAN INJUNCTIONS AND RELEASES

**The Plan provides for the following injunctive relief and releases:**

a. **Plan Section III.D.5**

**Section III.D.5 of the Plan provides:**

**On the Effective Date, except as otherwise provided herein or in the Confirmation Order,**

**a. all Entities that have been, are or may be holders of Claims against the City, Indirect 36th District Court Claims or Indirect Employee Indemnity Claims, along with their Related Entities, shall be permanently enjoined from taking any of the following actions against or affecting the City or its property, DIA Corp. or its property, the DIA Assets, the Released Parties or their respective property and the Related Entities of each of the foregoing, with respect to such claims (other than actions brought to enforce any rights or obligations under the Plan and appeals, if any, from the Confirmation Order):**

**1. commencing, conducting or continuing in any manner, directly or indirectly, any suit, action or other proceeding of any kind against or affecting the City or its property (including (A) all suits, actions and proceedings that are pending as of the Effective Date, which must be withdrawn or dismissed with prejudice, (B) Indirect 36th District Court Claims, and (C) Indirect Employee Indemnity Claims);**

CHI-1923859v7

2. enforcing, levying, attaching, collecting or otherwise recovering by any manner or means, directly or indirectly, any judgment, award, decree or order against the City or its property;

3. creating, perfecting or otherwise enforcing in any manner, directly or indirectly, any encumbrance of any kind against the City or its property;

4. asserting any setoff, right of subrogation or recoupment of any kind, directly or indirectly, against any obligation due the City or its property;

5. proceeding in any manner in any place whatsoever that does not conform to or comply with the provisions of the Plan or the settlements set forth herein to the extent such settlements have been approved by the Bankruptcy Court in connection with Confirmation of the Plan; and

6. taking any actions to interfere with the implementation or consummation of the Plan.

b. All Entities that have held, currently hold or may hold any Liabilities released pursuant to the Plan will be permanently enjoined from taking any of the following actions against the State, the State Related Entities, the officers, board of trustees/directors, attorneys, advisors and professionals of the RDPFFA or the DRCEA, and the Released Parties or any of their respective property on account of such released Liabilities: (i) commencing, conducting or continuing in any manner, directly or indirectly, any suit, action or other proceeding of any kind; (ii) enforcing, levying, attaching, collecting or otherwise recovering by any manner or means, directly or indirectly, any judgment, award, decree or order; (iii) creating, perfecting or otherwise enforcing in any manner, directly or indirectly, any lien; (iv) asserting any setoff, right of subrogation or recoupment of any kind, directly or indirectly, against any obligation due the State, a State Related Entity, the officers, board of trustees/directors,

attorneys, advisors and professionals of the RDPFFA or the DRCEA, or a Released Party; and (v) commencing or continuing any action, in any manner, in any place that does not comply with or is inconsistent with the provisions of the Plan.

b. Plan Section III.D.7

Section III.D.7 of the Plan provides:

Without limiting any other applicable provisions of, or releases contained in, the Plan or any contracts, instruments, releases, agreements or documents to be entered into or delivered in connection with the Plan, as of the Effective Date, in consideration for the obligations of the City under the Plan and the consideration and other contracts, instruments, releases, agreements or documents to be entered into or delivered in connection with the Plan (including the State Contribution Agreement):

a. each holder of a Claim that votes in favor of the Plan, to the fullest extent permissible under law, will be deemed to forever release, waive and discharge all Liabilities in any way relating to the City, the Chapter 9 Case, including the authorization given to file the Chapter 9 Case, the Plan, the Exhibits or the Disclosure Statement that such entity has, had or may have against the City, its Related Entities, the State, the State Related Entities and the Released Parties (which release will be in addition to the discharge of Claims provided herein and under the Confirmation Order and the Bankruptcy Code), provided, however, that the foregoing provisions shall not affect the liability of the City, its Related Entities and the Released Parties that otherwise would result from any act or omission to the extent that act or omission subsequently is determined in a Final Order to have constituted gross negligence or willful misconduct; provided further that this Section III.D.7.a shall not apply to any Exculpated Party; and provided further, however, that if Classes 10 and 11 vote to accept the Plan, but any necessary conditions precedent to the receipt of the initial funding from the State (pursuant to the State Contribution

CHI-1923859v7

**Agreement) and the DIA Funding Parties (pursuant to the DIA Settlement) that can be satisfied or waived by the applicable funding party prior to the Confirmation Hearing (including, but not limited to, adoption of relevant legislation and appropriations by the State and execution of necessary and irrevocable agreements for their funding commitments by each of the DIA Funding Parties, which conditions may not be waived) are not satisfied or waived by the applicable funding party prior to the Confirmation Hearing, then Holders of Claims in Classes 10 and 11 that voted to accept the Plan shall be deemed to have voted to reject the Plan, and the voluntary release set forth in the first sentence of this Section III.D.7.a shall not apply to Holders of Claims in Classes 10 and 11; and**

**b. if the State Contribution Agreement is consummated, each holder of a Pension Claim will be deemed to forever release, waive and discharge all Liabilities arising from or related to the City, the Chapter 9 Case, including the authorization given to file the Chapter 9 Case, the Plan, all Exhibits, the Disclosure Statement, PA 436 and its predecessor or replacement statutes, and Article IX, Section 24 of the Michigan Constitution that such party has, had or may have against the State and any State Related Entities. For the avoidance of doubt, the Plan does not release, waive or discharge obligations of the City that are established in the Plan or that arise from and after the Effective Date with respect to (i) pensions as modified by the Plan or (ii) labor-related obligations. Such post-Effective Date obligations shall be enforceable against the City or its representatives by active or retired employees and/or their collective bargaining representatives to the extent permitted by applicable non-bankruptcy law and/or the Plan.**

9. **Additional Information.** Requests for copies of the Disclosure Statement and the Plan may be made in writing to the Balloting Agent at Detroit Ballot Processing, c/o Kurtzman Carson Consultants LLC, 2335 Alaska Avenue, El Segundo, CA 90245 or by telephone at (877) 298-6236. In addition, any party may review the Plan, the Disclosure Statement, the Primary Solicitation Procedures Motion, the Primary Solicitation Procedures Order, the Supplemental Solicitation Procedures Motion, the Supplemental Solicitation Procedures Order and other relevant documents filed in this case, without charge, at http://www.kccllc.net/detroit.

Dated: May 12, 2014

**BY ORDER OF THE COURT**

/s/ Heather Lennox
David G. Heiman (OH 0038271)
Heather Lennox (OH 0059649)
JONES DAY
North Point
901 Lakeside Avenue
Cleveland, Ohio 44114
Telephone: (216) 586-3939
Facsimile: (216) 579-0212
dgheiman@jonesday.com
hlennox@jonesday.com

Bruce Bennett (CA 105430)
JONES DAY
555 South Flower Street
Fiftieth Floor
Los Angeles, California 90071
Telephone: (213) 243-2382
Facsimile: (213) 243-2539
bbennett@jonesday.com

Jonathan S. Green (MI P33140)
Stephen S. LaPlante (MI P48063)
MILLER, CANFIELD, PADDOCK
AND STONE, P.L.C.
150 West Jefferson
Suite 2500
Detroit, Michigan 48226
Telephone: (313) 963-6420
Facsimile: (313) 496-7500
green@millercanfield.com
laplante@millercanfield.com

ATTORNEYS FOR THE CITY

UNITED STATES BANKRUPTCY COURT
EASTERN DISTRICT OF MICHIGAN
SOUTHERN DIVISION

| | | |
|---|---|---|
| In re | : | Chapter 9 |
| CITY OF DETROIT, MICHIGAN, | : | Case No. 13-53846 |
| Debtor. | : | Hon. Steven W. Rhodes |

# NOTICE REGARDING PROPOSED CHANGES TO POST-EMPLOYMENT HEALTHCARE BENEFITS IN THE CITY'S PLAN OF ADJUSTMENT

## *Introduction*

This Notice gives retirees or surviving beneficiaries who are currently receiving non-pension post-employment healthcare and other welfare benefits from the City of Detroit a short summary as to how the City's proposed plan of adjustment (the "**Plan**") and the restructuring described in the Plan will affect your future retiree health and death benefits.

This Notice provides you with:

- background information about the process for approval of the Plan by the Bankruptcy Court, and
- details about how the proposed Plan will impact your benefits.[1]

[1] **Notice for Employees and Retirees of the Detroit Public Library. This Notice and the accompanying Ballot relate to the modification of the City's obligations for OPEB Benefits for those who participate in the City's**

CLI-2202934v15

**IF APPROVED BY THE BANKRUPTCY COURT, THE CITY'S PLAN OF ADJUSTMENT WILL REDUCE YOUR RETIREE HEALTH AND RETIREE DEATH BENEFITS. YOU CAN VOTE FOR OR AGAINST THE PLAN, BUT YOU CANNOT AVOID A REDUCTION IN YOUR RETIREE HEALTH BENEFITS OR RETIREE DEATH BENEFITS BY REFUSING TO VOTE ON THE PLAN.**

**YOUR VOTE MATTERS.**

**PLEASE READ THIS ENTIRE NOTICE CAREFULLY. DETAILS OF HOW TO OBTAIN ADDITIONAL INFORMATION REGARDING THE CONTENTS OF THIS NOTICE ARE PROVIDED BELOW.**

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(continued...)

**retiree healthcare plans and programs. To any extent the City has any obligations to the Library's current or former employees by virtue of their participation in the City's OPEB plans or programs, the City believes that the City's obligations may be modified in the City's bankruptcy case. Therefore, you are being provided with this Notice and the related Ballot. The Library's obligations to current and former employees for pension and OPEB Benefits are separate from any obligation the City may have, however. Your vote on the City's Plan affects only any obligation the City may have and does not change the Library's obligations for OPEB Benefits.**

## *BACKGROUND REGARDING DETROIT'S RETIREE HEALTHCARE OBLIGATIONS*

The City provides to its retirees, and their spouses and dependents, health insurance (including dental and vision benefits) and retiree death benefits – these are known in the Plan as **"OPEB"** (Other Post-Employment Benefits). The healthcare, dental and vision benefits are completely unfunded. This means the City has not set aside money to pay these benefits. In the case of death benefits, the City provides a lump sum benefit upon the death of an employee and certain retirees who make voluntary contributions to fund this benefit. The City has established a trust account into which contributions made by retirees, employees and the City have been deposited. This account has enough money to provide approximately 96% of the expected death benefits. Therefore, this account is underfunded.

Historically, the City has paid the cost of annual retiree health, dental and vision insurance benefits or stipends on a "pay-as-you-go" basis from its General Fund. The cost to provide retiree health, dental and vision insurance to retirees during the course of their retirement and the underfunding associated with the death benefit trust account are also debts of the City. Those debts also create a claim in the bankruptcy. This is called the **"OPEB Claim"** in the Plan. The City proposes to turn over the responsibility of providing OPEB benefits to new entities in the Plan and to contribute to those new entities only a fixed sum for future retiree health, dental and vision benefits rather than the full cost of those benefits.

**If, as of March 1, 2014, you were a retiree, or surviving beneficiary of a retiree, and you are receiving, or entitled to receive, health insurance (including dental and vision benefits) and/or you are covered by the death benefit program so that your survivors are eligible for death benefits from the City,** you have an OPEB Claim in the bankruptcy. **Active employees do not have an OPEB Claim.** As a holder of an OPEB Claim as of March 1, 2014, you have a right to vote on how the City proposes to reduce and restructure your retiree health and retiree death benefits and the other terms of the Plan.

## ***BACKGROUND REGARDING DETROIT'S PLAN FOR THE ADJUSTMENT OF ITS DEBTS***

### The Plan and Disclosure Statement

On May 5, 2014, the City of Detroit filed the Plan. The Plan is a legal document that contains the terms of the City's proposed restructuring. Among other things, the Plan proposes to restructure OPEB benefits.

Along with the Plan, the City also filed a document called the "Fourth Amended Disclosure Statement with Respect to Fourth Amended Plan for the Adjustment of Debts of the City of Detroit." That document is referred to as the **"Disclosure Statement."** The Disclosure Statement provides more detailed information on various aspects of the proposed Plan and the City's bankruptcy case including, among other things:

- the circumstances leading up to the City filing for bankruptcy;
- key events during the bankruptcy case;
- a description of how the Plan will restructure the City's debts for different types of creditors, including retirees and active or former City employees, by reducing or changing the amounts it will pay and the timing and terms of repayment;
- how the City proposes to implement the Plan;
- the legal effects of approval of the Plan by the Bankruptcy Court;
- instructions regarding voting on the Plan; and
- risk factors associated with the Plan.

### Classification of OPEB Claims in the Plan

**Under the Plan, claims against the City are divided into different classes. Claims related to retiree healthcare and death benefits – OPEB Claims – are in Class 12.**

*OPEB (Retiree Health (Including Vision and Dental) and Death Benefits)*

**If you are a retiree or a surviving beneficiary and are receiving retiree health benefits, or are entitled to retiree death benefits from the City, you are a holder of what the Plan calls an "OPEB Claim," and it is included in Class 12 of the Plan.** As a holder of an OPEB Claim, you are entitled to vote on the Plan. The City generally requires that, to be eligible for retiree health benefits, a retiree must be receiving monthly pension payments from GRS or PFRS. Therefore, most people who hold an OPEB Claim <u>also</u> hold either a GRS pension claim in Class 11 or a PFRS pension claim in Class 10.

The <u>estimated</u> amount of all OPEB Claims for purposes of voting on the Plan is $4,095,000,000. This amount represents the estimated present value of the cost of the City's future obligations, as of June 30, 2013, for the City to continue to provide retiree health benefits (including dental and vision) and death benefits into the future under the programs that were in effect at the time the City filed its chapter 9 petition. If you are the holder of an OPEB Claim, the estimated value of your OPEB Claim is equal to your share of this $4,095,000,000 and is stated on the Ballot that you received with this Notice. Your share is calculated based in part on your age and life expectancy, and also on the projected cost of future health care. The claim amount stated on your Ballot is the estimated amount of your OPEB Claim **only for purposes of voting** on the Plan. It is not the value of your OPEB benefits, and it is not a promise by the City to pay that amount under the Plan.

**<u>If you have both a Pension Claim and an OPEB Claim, you will get a separate Ballot for each claim. You will also get a different Notice in addition to this Notice.</u>**

## The Solicitation Package and Voting

On May 5, 2014, the Bankruptcy Court authorized the City to distribute the Plan and Disclosure Statement to its creditors and to solicit their votes to accept or reject the Plan. The Bankruptcy Court also authorized the City to send a paper copy of this Notice to you and others who receive pensions or retiree health or death benefits. This Notice and the other documents are intended to provide you with information on how the terms of the Plan will affect your benefits in the future. The accompanying Ballot is intended to allow you to cast your vote to accept or reject the Plan.

Your vote for or against the Plan will be counted and reported to the Bankruptcy Court and included in (i) the total number of votes cast for or against the Plan in your class and (ii) the total amount of claims voting either for or against the Plan. **Your vote matters. <u>You cannot avoid a modification in your OPEB benefits by refusing to vote.</u>**

If you would like to receive a paper copy of the Plan and the Disclosure Statement, you may obtain one, free of charge, by:

- calling the City's toll-free restructuring hotline at (877) 298-6236;
- visiting the City's restructuring website at *www.kccllc.net/detroit*; or
- writing to the City's claims and noticing agent at the following address:

  City of Detroit c/o Kurtzman Carson Consultants LLC
  2335 Alaska Avenue
  El Segundo, CA 90245

The package containing this Notice should also contain the following materials:

1. A cover letter describing: (a) the materials you received along with this Notice; (b) the contents of the enclosed CD-ROM and instructions with respect to its use; and (c) information about how to obtain, at no charge, paper copies of any materials provided on the CD-ROM.

2. A paper copy of the notice of the hearing before the Bankruptcy Court to consider whether to confirm – i.e., approve – the City's Plan (the **"Confirmation Hearing Notice"**).

3. A CD-ROM containing the Plan and Disclosure Statement and exhibits to them that have been filed as of the date of this mailing (all of which are also available at no charge via the internet at *http://www.kccllc.net/detroit*).

4. A letter from the City recommending that you vote to accept the Plan.

5. A letter from the Retired Detroit Police and Fire Fighters Association and possibly other parties.

6. A Ballot for your OPEB Claim with instructions on how to complete the Ballot and a Ballot return envelope. Your Ballot also contains information necessary for you to either accept or reject the Plan and its proposed treatment of your OPEB Claim in Class 12.

**Please read the instructions, and complete and return the Ballot early enough so that it will be <u>actually received</u> by the Balloting Agent in California by no later than July 11, 2014. Note that it may take several days from the date on which you mail your Ballot for the Ballot to reach the Balloting Agent in California. Ballots that are faxed or emailed will not be accepted.**

## *HOW THE PLAN TO ADJUST DETROIT'S DEBTS AFFECTS YOUR FUTURE OPEB (RETIREE HEALTH, DENTAL, VISION & DEATH BENEFITS)*

Under the Plan, the City will no longer sponsor and maintain retiree health or death benefits programs for existing retirees, surviving beneficiaries and their dependents. Instead, the City will establish two voluntary employees' beneficiary association trusts (known as a "**VEBA**") – one for PFRS-related retirees and one for GRS-related retirees. The two VEBAs will be responsible for providing retiree health benefits beginning January 1, 2015 to existing retirees, surviving beneficiaries and their eligible dependents.

### Detroit General VEBA for General City Retirees

Under the Plan, the City will establish the Detroit General VEBA to provide health benefits to Detroit's non-police and non-fire retirees, surviving spouses and their eligible dependents. The Detroit General VEBA will be governed by a board of trustees that will be responsible for, among other things, management of property held by the Detroit General VEBA, administration of the Detroit General VEBA and determination of the level of and distribution of benefits to Detroit General VEBA beneficiaries. The board will be comprised of retiree representatives and independent professionals, and the composition of the initial board will be approved by the Bankruptcy Court. The Detroit Retired City Employees Association and the Retiree Committee will each be able to appoint Detroit General VEBA board members in equal numbers, and such appointees will constitute a majority of the Detroit General VEBA board; the City will appoint the remaining members. The board will have the authority to determine who is eligible to receive retiree health benefits from the VEBA, and the annual level, design and cost of such benefits.

Under the Plan, the City will provide the Detroit General VEBA with $218 million in principal amount of a note to be issued to non-pension unsecured creditors. If the City does not make the payments under the note, the persons who operate and manage the Detroit General VEBA will have the right to sue the City for payment. The Detroit General VEBA trustees may also, in their discretion, seek to "sell" or monetize the note in the market to generate more up-front cash for the Detroit General VEBA.

How much the Detroit General VEBA trustees may spend on retiree healthcare in any particular year is unknown at this time. It is also unknown how long the

money in the Detroit General VEBA trust will last because that will depend upon the benefits to be provided. It is likely, however, that the amount of the note to be provided to the Detroit General VEBA by the City under the Plan in satisfaction of the OPEB Claim will not be enough to provide the same level of benefits over the long term as the City began providing to retirees and surviving beneficiaries in March 2014.

Further, the value of the healthcare that may be provided to retirees by the Detroit General VEBA trust or (any other trust that may be created) is subject to various factors, including but not limited to: whether or not a retiree is eligible for Medicare (generally 65 or older) or Medicaid (depending on income level and state residency); costs of future premiums, co-pays and deductibles; whether the Affordable Care Act continues in effect, and if so, in what form; and whether tax credits that currently exist to reduce healthcare costs to low-to-middle income persons continue.

If the Plan is approved by the Bankruptcy Court, regardless of your vote on the Plan, the new Detroit General VEBA board of trustees will make the determination of what level and form of healthcare benefits will be provided to current retirees based on the amount of money available to the Detroit General VEBA trust under the Plan and the exercise of their reasonable discretion.

**Detroit Police and Fire VEBA**

Under the Plan, the City will establish the Detroit Police and Fire VEBA to provide health benefits to retired employees of the Detroit Police Department and the Detroit Fire Department who not do not participate in (or have the right to participate in) the GRS and their surviving beneficiaries and eligible dependents. The Detroit Police and Fire VEBA will be governed by a board of trustees that will be responsible for, among other things, management of property held by the Detroit Police and Fire VEBA, administration of the Detroit Police and Fire VEBA and determination of the level of and distribution of benefits to Detroit Police and Fire VEBA beneficiaries. The board will be comprised of retiree representatives and independent professionals, and the composition of the initial board will be approved by the Bankruptcy Court. The board members will be appointed by the City, the Retiree Committee and the Retired Detroit Police and Fire Fighters Association. The board will have the authority to determine who is eligible to receive retiree health or other welfare benefits, including death benefits, from the VEBA, and the annual level, design and cost of such benefits.

Under the Plan, the City will provide the Detroit Police and Fire VEBA with $232 million in principal amount of a note to be issued to non-pension unsecured creditors. If the City does not make the payments under the note, the persons who operate and manage the Detroit Police and Fire VEBA will have the right to sue the City for payment. The Detroit Police and Fire VEBA trustees may also, in their discretion, seek to "sell" or monetize the note in the market to generate more up-front cash for the Detroit Police and Fire VEBA.

How much the Detroit Police and Fire VEBA trustees may spend on retiree healthcare benefits in any particular year is unknown at this time. It is also unknown how long the money in the Detroit Police and Fire VEBA trust will last because that will depend upon the benefits to be provided. It is likely, however, that the amount of the note to be provided to the Detroit Police and Fire VEBA by the City under the Plan in satisfaction of the OPEB Claim will not be enough to provide the same level of benefits over the long term as the City began providing to retirees and surviving beneficiaries in March 2014.

Further, the value of the healthcare that may be provided to retirees by the Detroit Police and Fire VEBA trust or (any other trust that may be created) is subject to various factors, including but not limited to: whether or not a retiree is eligible for Medicare (generally 65 or older) or Medicaid (depending on income level and state residency); costs of future premiums, co-pays and deductibles; whether the Affordable Care Act continues in effect, and if so, in what form; and whether tax credits that currently exist to reduce healthcare costs to low-to-middle income persons continue.

If the Plan is approved by the Bankruptcy Court, regardless of your vote on the Plan, the new Detroit Police and Fire VEBA board of trustees will make the determination of what level and form of healthcare benefits will be provided to current retirees based on the amount of money available to the Detroit Police and Fire VEBA trust under the Plan and the exercise of their reasonable discretion.

**Death Benefits**

The City provides the death benefit program through a separate trust fund. The death benefit trust fund will not be merged into or operated by either the Detroit General VEBA or the Detroit Police and Fire VEBA. Instead, the death benefit trust will be frozen, and the City will no longer have an obligation to continue to fund death benefits under the trust for any participant or beneficiary. The trust will be self-liquidating, and existing retirees who participate in the trust will be granted

a one-time opportunity to receive a lump sum distribution of the present value of their actuarially determined death benefit to the extent of the trust funding. The trustees of the death benefit trust will continue to manage the trust assets and employ the staff of the Retirement Systems to administer the timely disbursement of benefits. The costs of administration will be borne by the assets of the trust.

Active employees as of March 1, 2014 do not have an OPEB Claim. Future OPEB benefits, if any, for active employees will be subject to the terms of future contracts between the City and its active employees.

## *PLAN RELEASES*

**If the Plan is confirmed, it will be binding on you. You will have no right to demand that the City pay you the full original amounts it owed for your OPEB benefits. You will only have the right to your modified OPEB benefits under the Plan.**

Comprehensive State Release

In addition to protection from further claims against the City that is a standard part of any plan of adjustment, the Plan also proposes to grant to the State of Michigan, its officials and certain other related parties a comprehensive release of any obligation they might have with respect to your pension claim and other claims against the City. Specifically, this release would release all claims and liabilities arising from or related to the City, the chapter 9 case (including the authorization given to file the chapter 9 case), the Plan and exhibits thereto, the Disclosure Statement, PA 436 and its predecessor or replacement statutes, and Article IX, § 24 of the Michigan Constitution. This is called the **"Comprehensive State Release."** The Bankruptcy Court will have to approve this Comprehensive State Release, and it may not do so. If the Comprehensive State Release is approved, **you will not be allowed to sue the State, the City or any State entities to restore OPEB benefit modifications, even if you vote to reject the Plan**.

Release by Claim Holders Accepting the Plan

The Plan also provides for an **"Accepting Holders Release."** The Accepting Holders Release would be granted by individual creditors by their accepting the Plan. This means that if you individually vote to accept the Plan, you will be personally releasing the City and its related entities, the State and its related entities, the Retiree Committee, the members of the Retiree Committee, the Retiree Committee professionals, the foundations and other organizations who are providing Outside Funding and their related entities **except for** such parties' gross negligence or willful misconduct.

**In other words, if you vote to accept the Plan, you will not be allowed to sue the State, the City or any State entities to restore OPEB benefit modifications.**

For the avoidance of doubt, the Plan does not release, waive or discharge obligations of the City that are established in the Plan or that arise from and after the effective date of the Plan with respect to (i) pensions as modified by the Plan or (ii) labor-related obligations.

## PROPOSED RULES FOR TABULATION OF PENSION/OPEB BALLOTS

I. The following procedures (the "Claim Estimation Procedures")[1] shall be used for estimating the value of Pension Claims and OPEB Claims for purposes of voting:

a. For Pension Claims, the three actuarial firms involved in this case — Milliman, Inc. ("Milliman") for the City; Gabriel, Roeder, Smith & Company ("Gabriel Roeder") for the Retirement Systems; and The Segal Company ("Segal") for the Retiree Committee — have completed independent valuations of the two Retirement Systems' assets and liabilities for the fiscal year ended June 30, 2013, using census data provided by the Retirement Systems. Those valuations will be the basis for the estimations of each Pension Claimant's claim solely for voting purposes.

b. Class 10 – Detroit Police & Fire Retirement System

(i) The Retirement Systems will prepare and provide to all actuaries four Microsoft Excel spreadsheets identifying: (A) PFRS active employees and former employees that have earned a pension but have not yet retired; (B) PFRS current retirees and surviving spouses; (C) GRS active employees and former employees that have earned a pension but have not yet retired; and (D) GRS current retirees and surviving spouses (the "Four Pension Categories").

(ii) For purposes of providing an estimated claim for voting purposes for PFRS claimants, Segal will prepare individual claim calculations for current retirees based on its valuation of the current retiree PFRS Unfunded Actuarial Accrued Liability ("UAAL"). Milliman will prepare individual claim calculations for active employees and former employees who have earned a pension but have not yet retired based on its valuation of the PFRS UAAL and utilizing a formula that takes into account age, years of service and a unit factor to be based on the non-retiree UAAL.

c. Class 11 – Detroit General Retirement System

(i) The Retirement Systems will prepare and provide to all actuaries four Microsoft Excel spreadsheets identifying the Four Pension Categories.

(ii) For purposes of providing an estimated claim for voting purposes for GRS claimants, Segal will prepare individual claim calculations for current retirees based on its valuation of the current retiree GRS UAAL.

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[1] Capitalized terms not otherwise defined herein shall have the meaning given to them in the *Corrected Motion of the City of Detroit for Entry of an Order Establishing Supplemental Procedures for Solicitation and Tabulation of Votes to Accept or Reject Plan of Adjustment with Respect to Holders of Pension and OPEB Claims.*

Milliman will prepare individual claim calculations for active employees and former employees who have earned a pension but have not yet retired based on its valuation of the GRS UAAL and utilizing a formula that takes into account age, years of service and a unit factor to be based on the non-retiree UAAL.

(iii) Solely with respect to Class 11 Pension Claimants who, between July 1, 2003 and June 30, 2013, received interest credits in their ASF accounts, pursuant to Section II.B.3.r.ii.D of the Plan, the City will recalculate the value of any such claimant's ASF account using the actual investment returns to determine that claimant's "Annuity Savings Fund Excess Amount." The Annuity Savings Fund Excess Amount will be deducted from the claimant's ASF account, unless the claimant has already received a total or partial distribution from ASF, in which case the City may convert that portion of the claimant's Annuity Savings Fund Excess Amount that could not be recovered from the ASF account into an annual amount (the "Annual Deduction") based on the claimant's life expectancy and other factors. The Annual Deduction will then be deducted from the claimant's annual pension amount each year going forward.

d. Class 12 – OPEB Claims

(i) Utilizing the data available for holders of OPEB Claims as of the Pension/OPEB Record Date as provided to Milliman by the Retirement Systems, and for purposes of establishing individual claim amounts for voting purposes only, Milliman will estimate for each current retiree or such retiree's surviving beneficiaries who were enrolled in or eligible for retiree health insurance as of March 1, 2014, the present value for the City to continue the health coverage that was in effect (or available) for such person immediately prior to March 1, 2014, assuming that such coverage would continue for the remainder of such retiree's or survivor's expected life. The present value of such coverage also shall include the value to provide dependent health insurance coverage to such retiree's dependents until such dependents reach age 26.

II. Unless otherwise provided in the Pension/OPEB Tabulation Rules, and regardless of any proofs of claim that have been, or may be, filed by or on behalf of a Pension or OPEB Claimant, a Pension or OPEB Claim will be deemed temporarily allowed for voting purposes in the amount calculated pursuant to the Claim Estimation Procedures.

III. If a party submits a Ballot (a) that does not correspond to an identifiable Pension or OPEB Claimant as of the Pension/OPEB Record Date or (b) that corresponds to a Pension Claim or OPEB Claim that has been disallowed, waived or withdrawn, then such Ballot will not be counted unless otherwise ordered by the Court.

IV. Any Ballot that does not indicate either an acceptance or rejection of the Plan, or indicates both an acceptance and a rejection of the Plan, will not be counted.

V. Any Ballot that is not executed shall not be counted.

VI. If a Pension Claimant casts more than one Ballot voting the same Pension Claim, or an OPEB Claimant casts more than one Ballot voting the same OPEB Claim, the latest-dated properly executed Ballot received before the Voting Deadline will supersede any other previously-received Ballots.

VII. Any Pension or OPEB Claimant with more than one claim in a particular Class (e.g., a surviving spouse who is receiving a survivor's pension from the City, but who also worked for and is retired from the City and receives his or her own separate City pension) must vote all such claims in that Class either to accept the Plan or to reject the Plan. If any such Pension or OPEB Claimant casts a Ballot or Ballots purporting to split its vote with respect to claims in the same Class, the Ballot or Ballots will not be counted.

VIII. Any Pension Claimant or OPEB Claimant with claims in more than one Class must submit a separate Ballot for each class. If a Pension Claimant or OPEB Claimant uses a single Ballot to vote claims in more than one Class, that Ballot will not be counted. Thus, a retiree who receives both a pension and retiree health insurance benefits from the City must submit a separate Ballot for his or her Pension Claim and OPEB Claim.

IX. Ballots delivered by email, fax or any other electronic method will not be counted.

X. To the extent the City determines that a Class 10, 11 or 12 Ballot shall not be counted pursuant to section III, IV, V, VII, VIII or IX above, the City shall confer with the Retiree Committee in good faith to attempt to resolve any deficiencies in such Ballot. If any such deficiencies are not resolved by the date that is 5 days prior to the deadline for filing the Pension/OPEB Ballot Tabulation Summary, then such Ballot shall not be counted.

XI. The Balloting Agent shall date-stamp (and if necessary, time-stamp) all Ballots when received. The Balloting Agent shall retain all original Ballots and an electronic copy of each for a period of one year after the effective date of the Plan, unless otherwise ordered by the Court.

XII. The Balloting Agent shall prepare a summary of the results of the tabulation of all Ballots cast by or on behalf of Pension and OPEB Claimants (the "Pension/OPEB Ballot Tabulation Summary"), which will include a certification of votes by the Balloting Agent, and which will identify, among other things, Ballots that were withdrawn and votes that were changed as a result of a superseding Ballot. The Pension/OPEB Ballot Tabulation Summary shall be (a) filed with the Court on or before July 21, 2014 and (b) may be part of the ballot tabulation summary described in the Primary Solicitation Procedures (as approved by the Primary Solicitation Procedures Order). No personally-identifying information for any Pension or OPEB Claimant will be included in the Pension/OPEB Ballot Tabulation Summary.

XIII. The City may waive any defects or irregularities as to any Ballot either before or after the Voting Deadline, and any such waivers shall be documented only in the Pension/OPEB Ballot Tabulation Summary.

President
DONALD TAYLOR

Vice-President
GREGORY TROZAK

Secretary/Treasurer
ALLAN GRANT

RETIRED DETROIT POLICE
& FIRE FIGHTERS ASSOC.

2525 E. 14 Mile Road
Sterling Heights, MI 48310-5969
Office (586) 795-1734
Fax (586) 795-2183

www.rdpffa.com

E-Mail rdpffa@hotmail.com

April 29, 2014

Dear City of Detroit Police and Fire Fighter Retirees:

The Retired Detroit Police and Fire Fighters Association ("RDPFFA") is writing to you in connection with the Plan of Adjustment as amended and filed by the City of Detroit on April 26, 2014 (the Plan). The Board of Directors of the RDPFFA unanimously recommends that you vote in favor of the Plan on the ballots that you are receiving along with this letter.

This recommendation comes after the RDPFFA took a leadership role in negotiations with the City regarding pension and other post-employment benefit (primarily health care) ("OPEB") treatment of the claims of police and fire fighter retirees. Specifically, those long and hard-fought negotiations resulted in the RDPFFA Board of Directors voting to unanimously approve an agreement in principal with the City on April 15, 2014. On April 25, 2014 the material terms of that agreement were incorporated into an executed Term Sheet. Those terms have now been included in the Plan.

Under the current financial conditions of the City of Detroit and with the limited revenue income streams that are currently available to the City, the results contained within the executed Term Sheet are the best protection of our pension and other benefits that could be obtained. The treatment of police and fire fighter retirees has improved significantly since the onset of the bankruptcy and is materially better if classes 10 and 11 approve the Plan.

Sincerely,

Donald Taylor
President RDPFFA
And on behalf of the Board of Directors

{00207198}

# DRCEA

*DETROIT RETIRED CITY EMPLOYEES ASSOCIATION*

*Representing Detroit City Retirees Since 1960*

P. O. Box 40713 ❖ Detroit, MI 48240 – 0713 ❖ Voice Mail: 313-927-0491
E-Mail: Info@DRCEA.org ❖ Web Site: www.DRCEA.org


**May 5, 2014**

***Dear City of Detroit General Retirees:***

The board of directors for the Detroit Retired City Employees Association ("DRCEA") writes to recommend you vote YES in favor of the Fourth Amended Plan of Adjustment filed by the City of Detroit on or about May 5, 2014 (the "Plan").

The DRCEA believes that the Plan treatment (Alternative A) of your pension and other post employment benefit ("OPEB") claims (health care and death benefit) is in your best interest. This recommendation does not mean that the DRCEA thinks the Plan is perfect, it is not. We recognize that the Plan includes sacrifices from retirees. However, the DRCEA wants to inform you that the Plan has been improved from the City's original proposal.

The following chart provides a summary view of the Plan treatment if approved by retirees and State, Foundation and DIA contributions are made (Plan Alternative A) and the Plan treatment if rejected by either Class 10 or 11 (Plan Alternative B).

| **Treatment Subject** | **Plan Alternative A (Settlement) Classes 10 & 11 Vote Yes** | **Plan Alternative B (Cram Down) Class 10 or 11 Vote No** |
|---|---|---|
| Pension Reduction | 4.5% | 27% (or more) |
| Annuity Savings Fund Recoupment Amount | Capped at 20% of highest balance between 2003-2013 | Capped at 20% of highest balance between 2003-2013 |
| Reduction of Monthly Pension Based on ASF Recoupment | Limited to 15.5% (Maximum) | No Limit (pension could be reduced to $0.00) |
| **Maximum Reduction to Current Pension Check** | **20%** (Including Straight Cut and ASF Recoupment) | **Up to 100%** (Including Straight Cut and ASF Recoupment) |
| Cost of Living Allowance (COLA) | No COLA | No COLA |

| | | |
|---|---|---|
| Restoration of Benefits | Pension Reductions Could be Restored | Pension Reductions Could be Restored |
| Order of Restoration | (1) 4.5% Cut; (2) COLA; (3) ASF recoupment | (1) 27% Cut; (2) COLA; (3) ASF recoupment |
| Governance | Retiree Representation | Retiree Representation |
| Death Benefit | One time election to receive lump sum payment of funded portion of death benefit | Unknown |
| Health Care | Voluntary Employee Benefits Association (VEBA) | Voluntary Employee Benefits Association (VEBA) |
| | General Retiree Specific VEBA | General Retiree Specific VEBA |
| | General Retiree Representation on VEBA Board | General Retiree Representation on VEBA Board |
| | DRCEA involvement with establishing criteria for additional (limited) catastrophic illness aid | Unknown |
| | General Retiree VEBA to be funded by the City approximately $218 million | General Retiree VEBA to be funded by the City approximately $218 million |

The DRCEA believes that the chart above shows that Plan Alternative A is a better result for retirees than the consequences of a cram down.

There is no doubt that some will criticize the recommendation, but we believe it truly is in the best interest of general retirees, especially in the context of a chapter 9 bankruptcy. We recommend you vote YES in support of the Plan.

**Sincerely,**

**Shirley V. Lightsey,**

Shirley V. Lightsey

**President of the DRCEA**